

REPARATION BONDS NOT CONSIDERED

Acceptance of Them as Substitutes for Allied Debts Is Improbable.

SITUATION IS EXPLAINED

Secretary Mellon Says It Might Be Advisable to Have Partial Exchange.

WASHINGTON, June 29.—Acceptance of German bonds as substitutes for the obligation of European nations indebted to the United States is not at present contemplated by the Treasury. Secretary Mellon to-day told the Senate Finance Committee in urging favorable action on the Administration bill to enable the refunding of the \$1,000,000,000 which Europe owes the United States.

Mr. Mellon informed the committee that the Treasury Department, moreover, had no intention of inviting suggestions concerning acceptance of German bonds, but added that sound business judgment might make advisable the substitution of German bonds if offered by some of the weaker debtor nations.

Broad powers which would be conferred by the Administration bill on the Treasury Department in the refunding process were said by Mr. Mellon to be necessary for its success. "It is essential to have the new securities in the most substantial form so that they may be available to this Government for future use."

Secretary Mellon, after his appearance before the committee, conferred with Chairman Penrose and was under pressure to have told Senator Penrose that the Administration had convinced that it would be "financially and economically disastrous" both to the United States and the debtor nations for the United States to insist on any immediate payment of the loans because of the effect on trade and foreign exchange.

Secretary Mellon told the committee that no suggestion had been made that the United States accept German reparations as substitutes for the allied obligations. He said the only funding negotiations entered into were with Great Britain and that they had been of a preliminary nature.

The Secretary did not approve the proposal by Senator Walsh (Democrat), Massachusetts, that the refunding agreements be subject to Senate ratification.

"It might lead to another treaty fight," remarked Senator Simmons (Democratic), North Carolina.

Senator Reed asked why England, owing the United States \$407,308,000, couldn't pay it inasmuch as it was finding money to enlarge her navy.

"The two propositions are different," replied Secretary Mellon. "England must pay us in gold but she doesn't need gold for home expenditure."

"Are you in favor of accepting German bonds?" asked Senator Reed.

"Under certain circumstances I might favor accepting them."

Secretary Mellon approved the statement of Senator Williams (Democrat), Mississippi, that there were several countries in Europe whose bonds might never be as good security as German bonds, and that railroad bonds of some countries might be better security than the Government obligations.

"It is not true," queried Senator Reed, "that the British Government still has war loans loaned \$50,000,000 to the American Government."

Secretary Mellon said he could not answer, but would look up the matter.

He added, however, that he was

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